

Message Text

SECRET

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47

ACTION EA-10

INFO OCT-01 ISO-00 ERDA-05 XMB-02 ACDA-05 CIAE-00 INR-07

IO-10 L-02 NSAE-00 NSC-05 EB-07 NRC-05 OES-03 FEAE-00

COME-00 OMB-01 TRSE-00 EUR-12 ERDE-00 AID-05 IGA-01

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R 230856Z MAY 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 0244

INFO AMEMBASSY TOKYO

S E C R E T SEOUL 3674

STATE PASS ERDA GERMANTOWN AND EXIM TOKYO FOR ERDA

E.O. 11652: GDS

TAGS: ETRD, EFIN, PARM, MNUC, TECH, KS

EXIMBANK LOAN FOR KORI II NUCLEAR PLANT

REF: (A) SEOUL 3424, (B) SEOUL 3374, (C) SEOUL 3399

1. EMBASSY HAS BEEN VISITED BY REP OF FIRST NATIONAL BANK OF CHICAGO (FNBC) CONCERNING SUBJECT LOAN. FNBC OFFICIALS, ACTING AS FINANCIAL ADVISORS TO KOREA ELECTRIC COMPANY (KECO), ADVISE EMBASSY THAT FNBC ANALYSIS OF CURRENT ROK CREDIT SITUATION IS SUCH THAT LARGE (APPROXIMATELY \$165 MILLION) UNGUARANTEED COMMERCIAL PORTION OF SUBJECT LOAN AS NOW PLANNED COULD NOT BE SYNDICATED.

2. FNBC OFFICIALS STATE THAT ONLY IF PRESENT EXIM TERMS OF THIRTY PERCENT LOAN AND FORTY PERCENT GUARANTEE OF DOLS 263 MILLION EXIM PACKAGE ARE MODIFIED TO FORTY-FIVE PERCENT DIRECT EXIM LOAN AND FORTY-FIVE PERCENT EXIM GUARANTEE CAN UNGUARANTEED COMMERCIAL PORTION (U.S., ENGLISH, AND KOREAN) BE REDUCED TO LESS THAN DOLS 100 MILLION.

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3. FNBC OFFICIALS FEEL THAT AN UNGUARANTEED COMMERCIAL LOAN

OF OVER DOLS 100 MILLION OULD BE UNMARKETABLE GIVEN PRESENT
KOREAN FOREIGN EXCHANGE SITUATION.

4. IN ATTEMPTING EVALUATE FNBC'S APPROACH FOR ADDITIONAL
EXIM FINANCING, IT IS POINTED OUT THAT FULL EXTENT OF FNBC
EXPOSURE IN KOREA NOT KNOWN. HOWEVER, EMBASSY DISCUSSIONS
WITH OTHER (U.S.) FINANCIAL SOURCES INDICATE THAT FNBC ASSESS-
MENT THAT COMMERCIAL MARKET FOR LOANS IS PRESENTLY
LIMITED IS SUBSTANTIALLY CORRECT.

5. EMBASSY HOPES THAT NEW LOAN GUIDELINES MAY ALLOW EXIM
FLEXIBILITY TO CONSIDER FNBC REQUEST.

6. ALTHOUGH NOT WISHING TO MUDDY WATERS IT SHOULD BE POINTED
OUT THAT THIRD-COUNTRY COMMERCIAL EFFORTS IN NUCLEAR FIELD
(CANADA, FRANCE, WEST GERMANY, BELGIUM AND UK) HAVE BEEN
INTENSIFIED OF LATE. PRESUMABLY THESE PROPOSALS ALL HAVE
IMPLICIT SUPPORT OF THEIR GOVERNMENT'S FINANCIAL BACKING OR
GOVERNMENT-SUBSIDIZED LOANS. KOREA IN PURSUING ITS INFANT
NUCLEAR PROGRAM, WHILE APPARENTLY DESIRING COOPERATE WITH
U.S. (SEE REF C), MAY WELL BE DRAWN AWAY FROM U.S. SUPPLIERS
IN ABSENCE OF FAVORABLE FINANCING AND USG SUPPORT.

7. IN ORDER TO ASSIST U.S. SUPPLIERS IN COMPETING WITH THIRD-
COUNTRY SALES EFFORTS AS WELL AS FOSTERING CLOSER U.S.-KOREA
NUCLEAR COOPERATION, FULLEST USG SUPPORT, INCLUDING EXIM
PARTICIPATION
IS ESSENTIAL.

8. KECO PRESIDENT MIN, PRESENTLY IN CANADA TO SIGN CANDU
I PROJECT WILL PROCEED TO WASHINGTON FOR DISCUSSIONS AT
EXIM ON MAY 29.

9. LOCAL WESTINGHOUSE REP, ACTING ON ADVICE OF FNBC, HAS
ALSO APPROACHED EMBASSY POINTING OUT CRITICAL STAGE IN
FINANCING SUBJECT PROJECT.

10. EMBASSY WOULD APPRECIATE COMMENTS AND GUIDANCE.
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